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RELATIONS OF RAILROADS AND THEIR EMPLOYEES

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MANY years ago when I was in college in Boston, I boarded with an old gentleman who had made and lost three fortunes in railroad contracting. He was a fine specimen of the olden time gentleman, and had a world of wisdom and common sense stored up in his head.

By reason of being a member of the family, so to speak, I heard about some family difficulty which was taking place between the brother-in-law and his wife, also an old couple, and which resulted in a suit for divorce by the wife on account of alleged incompatibility of temperament and cruelty.

The old gentleman with whom I boarded was expected to be the star witness and furnish the necessary conclusive testimony, but on the day of the trial (so I afterward learned), his evidence was to the effect that he saw no reason for any divorce, and that in his opinion the couple were getting along about as well as married people usually do!

If I were to be summoned as the star witness in an allegation for the granting of a divorce of the railroad employees and employers, I would have to testify that, after an experience of 39 years in close and intimate personal touch with each and every branch of railroad service, I am of the opinion that, fundamentally, there are no real differences of any consequence between the railroads and their employees; that as a rule they have gotten along together, are living together very much more comfortably and happily than most other classes of employment; and that there is no occasion for meddling by Boards or Commissions or other outside agencies, as all difficulties in the family can be practically adjusted among themselves if given a fair chance to get together.

In the 17 years that I have had active charge of the management of the company with which I am connected, there has never been a grand officer of any of the four brotherhoods in my office on account of difficulties or troubles with their organizations; and it was not until the government took over the control and op-

eration of the railroads, that an officer of one of the newly formed unions which has sprung up since that time, found it necessary to ask for an audience, and even his difficulty was subsequently adjusted satisfactorily through mediation and arbitration.

Of course, it takes the exception to prove the rule; and there have been railroads which seem to have had more than their share of trouble with their employees, but we all know there is an underlying cause or reason for every effect; and, in my opinion, if the necessary degree of intimacy had existed between the management and the employees, it is more than probable that the difficulty would have been avoided—the best evidence of which is that, subsequently, they *did* come together, but only perhaps after hard feeling had been engendered, which might have been avoided.

I wish to emphatically assert that, in my opinion, railroad employees have, since the inception of railroading, and up at least until the recent past (if I should even make that exception), been, as a rule, most loyal in their sentiment and pride in behalf of their particular companies; and that such a company spirit has been much more characteristic in the case of railroad employees, than in almost any other class of employment.

There are reasons for this, one of which is that the character of the service, particularly in the *operation* of railways, requires a greater degree of initiative than is ordinarily permitted in other kinds of service, as, for example, in large mills or factories where the individual becomes but a cog in the wheel, and seldom sees or comes in contact with the outside world of business.

Railroad employees have always been what may be termed a preferred class in labor circles. Their rates of wages, at least prior to the war, were usually in advance of that paid to other classes of labor from which they were recruited—the best evidence of which is that they left such employment, or decided for themselves not to enter such other places in preference to entering railroad service.

Under the old order of things, the men, through their representatives in the brotherhoods, made their occasional requests for adjustments in wages, which were taken up, considered upon their merits, and after conferences and mutual concessions, a new schedule was adopted. The men know in advance about how much they were entitled to receive, and the companies granted according to their ability to pay, or declined to allow be-

cause of reasons which were discussed to a finish and settled then and there. It was not until a nation-wide movement for standardization of wages was inaugurated, that the question of railroad labor and railroad conditions of employment and wages, attracted much more than local attention, and as to this I shall have more to say later on.

Perhaps right here may be as good a place as any for me to remark upon the statement so frequently made that railroad employees were profiteering; and let us stop a moment to consider just what this means, and what has taken place. There are always two sides to every story, and on the one side I will give a few illustrations of which I have a personal knowledge.

A large department store in the City of New York has under contract a furrier who makes its fur goods. A few years ago this furrier received \$85.00 for a certain style of lady's coat. For the same coat he now receives \$135.00; and curious to know what the article might retail for, he sent his wife to the store to follow it up, and she found when the garment was produced from the case, that the price tag upon it was \$425.00.

Another instance is a local haberdasher who does business in a store located near my office, who had secured a lot of gloves of fairly good quality at a low price, and thinking that he would stimulate sales and favor his customers, he places a 50 per cent profit upon them, and offered them as a bargain sale. Customers came in, looked over the gloves, and said they wanted something better, etc. About that time he noticed in the window of a neighboring store gloves of about the same quality, at a very much higher price; so he returned to his store, withdrew the sale, and increased the price 400 per cent, after which the gloves went off like hot cakes.

Another instance is that of a friend of mine—the president of a company doing business here in New York—who has been in the habit of purchasing shoes from the “XYZ” store, where he bought three pairs at a time, for which he had always paid \$8.00 a pair.

Something over two years had elapsed, and he went to the store to purchase his usual allotment, but, as he says, fortunately he asked the price before telling the clerk to wrap them up and send them to him and charge to his account, and he was told that the price was \$24.75 per pair. He asked how they arrived at such an exorbitant figure, and was told, \$23.50 for the shoes

and \$1.25 tax, and further, that leather was higher and that they had to pay at the factory double, and even more, the cost of former prices paid to their various classes of employees who made the shoes; whereupon he told the clerk to keep the shoes, as he had no use for them, and went to another store, where a shoe of about the same appearance was displayed in the window for \$8.00. He tried them on, and found they were satisfactory so far as he was concerned, and then asked how it happened that in the other store he had been asked the larger price. The clerk replied that the other store which carried a higher grade of goods, did, in fact, have a slightly better grade of leather, but that all of the costs in the manufacture at the factory were exactly the same for the reason that the various unions adjusted and settled that matter, so that all of the difference above \$8.00, except for the better grade of leather and tax, was on account of "easy money."

And I might go on with many similar illustrations of actual occurrences. Profiteering gets no farther than the other party is willing to permit it, or deliberately aids and abets it by his patronage.

Profiteering? Yes, that is the word if we wish to use it, and I know of no reason why railroad men should be segregated from every other class, while the grab for increased wages to keep up with the increasing high cost of living is going on; and as compared with the so-called profiteering of certain other classes, the railroad men are the veriest pikers, and have not yet learned even the rudiments of the act.

The only plea upon which such conduct might be justified is that it is the spirit of the times, and that we are living in these times, and following the old adage, of "When in Rome, do as the Romans do." But this is no answer, and I do not approve nor adopt any such principle, and do not, by any means, excuse nor justify the vicious circle.

The present situation will not continue. Unquestionably, and as surely as the fact that we are sitting in this room, prices and wages will come down. Everybody knows that, and believes it, and will welcome the time. I will say, however, right here, that I do not believe that, at least for some time to come, the wages will fall, generally, to the pre-war level.

History repeats itself, and I will read to you an abstract from an editorial appearing in yesterday morning's "Sun"; it is a quo-

tation taken from Colonel Emmons Clark's "History of the Seventh Regiment" (1890: published by the Regiment):

The inflation of the currency of the country during the war (1861-65) and the consequent extraordinary speculation and increase in nominal values terminated in a great financial panic in 1873, which prostrated business, undermined credit and deranged the channels of trade and commerce.

Habits of extravagance had been acquired by all classes of the people, and none cheerfully submitted to a reduction of income and to the enforced economy which were the natural results of the great change in the financial and business affairs of the country.

For many years labor had been in great demand, and had been extravagantly rewarded, and by means of trade societies had been able to dictate terms to employers.

But with the prostration of business the supply of labor exceeded the demand; the reduction in wages was stoutly resisted, and the year 1877 witnessed a general strike among the railroad employees of the country which threatened to entirely paralyze trade and to result in great sacrifice of life and property.

The idle and vicious hastened to enlist under the banners of those who demanded higher wages, and by riotous demonstrations and by acts of pillage and wanton destruction brought discredit upon honest labor.

The communists, largely recruited of late from Europe, also availed themselves of the opportunity to swell the excitement and in threatening language to promulgate their theories of liberty and equality.

In many cities the mob obtained complete control and successfully resisted the civil authorities and the military ordered to their support.

The small number of regular troops, the entire absence of organized militia in some States and the inefficiency of local troops in many cases or their sympathy with the rioters left a large part of the country exposed to the dangers incident to periods of disorder.

About the first of August peace was restored, * * * * *, generally by fatigue, exhaustion and reaction which naturally follow a prolonged disturbance.

Dozens of our employees have said to me, "Give us back the old times and conditions, and you can have the increased wages which we have received, but which have been of no real benefit." Fundamentally, our people are sound at heart, but, of course, no one wants to be the *first* in a surrender of the present wage, and before a dollar has increased in its purchasing power.

But it *will* come, just as it *always* has come. The first step, as has so repeatedly been pointed out, should be through increased production, whereby a greater number of articles or units or the larger volume of output shall be secured at no considerably increased cost of production.

I will not take the time to go into the general details of this problem, other than to say that since the only article which railroad men produce is *transportation*, there must be in this, as well as in other lines, a greater production at a no greater cost. And to this end, the men, or their leaders who advise them, must desist from their efforts to limit increased production

through such methods as demanding the shortening of trains to fifty cars, or of speeding up of slow freight to a standard of miles per hour, which they know better than anyone else cannot be secured or maintained except by *lessening the load*, which defeats the possibility of a lesser cost per unit, which the increased size of locomotives and greater length of trains were designed to effect.

In a democratic form of government, we give up some of our individual rights and wishes or preferences for the good of the many; and in this matter of increased production, the railroad men must join with their brother co-laborers in other fields, and each do their part in this direction, in order that all may benefit thereby. If this is not done, then in no other way, except by an immediate and direct cut in wages, will it be possible to secure lower freight rates, and although a freight rate is but an infinitesimal part of the price of, for example, a pair of shoes, it has its effect, and in the aggregate, when all other crafts must similarly be advanced to meet on their part even such an infinitesimal amount, the aggregate becomes a very large sum.

In a recent editorial in the "Sun," there appeared the following:

As a matter of cold, hard fact the railroads never underpaid their labor and their labor never tried to pillage the railroads until the Government began to take out of the hands of the railroads the duties and functions which belonged to the railroads.

As a matter of cold, hard fact the American railway system never mortgaged its body, life and soul to gratify the exactions while stimulating the excesses of labor union leaders. It was the Government itself, after it took the railroads away from their owners, which did that very thing as a gross political gamble.

I quote these two paragraphs for the reason that, as I have previously stated, there is a cause or reason for every subsequent effect.

By an Act of Congress authorizing him to do so, the President by proclamation, took possession and assumed control of the principal lines in the United States at 12 o'clock Monday, December 28, 1917; and in his statement accompanying the proclamation, he said, among other declarations, that—

The Secretary of War and I are agreed that all the circumstances being taken into consideration, the best results can be obtained under the immediate executive direction of the Honorable William G. McAdoo, whose practical experience peculiarly fits him for the service. * * *

I call upon the gentlemen present here to-day to bear witness to the fact that in every successful enterprise, be it commercial,

social, financial, political, military, agricultural, or otherwise, of which they may have had any personal knowledge, there is, and of necessity must be, at its head a master mind, thoroughly competent to manage and direct its affairs, and around which revolves the entire organization.

When taken over by the Government, there were approximately 1,300 Railroad Companies, with about 260,000 miles of railroad, worth between 18 and 20 billions of dollars, represented by 9 billion dollars of stock, and owned by 650,000 shareholders. For several years we had in this country heard much about the wasteful extravagances and incompetency of railroad management, and that a million dollars a day might be saved, and so on and so forth, that there had come to be in the minds of many people an idea that if the Government might take over and run the railroads, all of this much-to-be-desired improvement would result.

It was in the railway fiscal year 1911, that Louis D. Brandeis made famous the proposition that by scientific management the railways could save one million dollars a day. At that time the operating expenses of the railways were \$5,250,000 a day, wages being \$3,311,000 a day.

The first year of operation by the United States Railroad Administration ended on January 1, 1919. Operating expenses had grown to \$11,300,000 a day, wages being \$7,500,000 a day. Since which time, with the further increases that have been made, and costs of material being no less, both expenses and wages are correspondingly greater.

And now we come back again to the two paragraphs. If the substance thereof is true, or only half true, what is the reason? In my opinion, there is only one answer: Blundering, bungling incapacity in high places.

A blunder is to move or act blindly, stupidly or without direction, or steady guidance, and such conduct is compatible with the inexperience of childhood, and which is more often than otherwise, laughingly excused for that reason. But there are shades or degrees of blunders! Thus there is error, which is a wandering from truth, primarily in impression, judgment, or calculation, and by extension of the idea in conduct. Again, there is mistake, which is the false judgment or choice, and does not, as error sometimes does, imply moral obliquity. Now that we have had practical experience with it, we can note the blun-

dering that has taken place under the mistaken impression that it was the real article in railroading. Also, the blundering in the dissipation of the \$500,000,000 revolving fund.

Further, the bungling of the wage demands which, because of failure to comprehend the question, resulted in absurd readjustments and the granting of schedules of wages for certain classes without due regard to the character of the service performed, thus establishing inappropriate and extravagant measures of compensation that caused discontent in other classes.

And again, the bungling in the handling of the railroad labor problem. With the advent of the Director General a very extensive system was inaugurated for handling railroad wage and labor problems; which reminds me of another true story which transpired several years ago, when a new Vice President in charge of Operation, entered the service of an old railroad system which was running along in fairly smooth shape. In addition to inaugurating a large number of so-called reforms, patterned after the railroad upon which he had previously been employed, he thought it necessary to purchase a new 100-ton steel wrecking derrick, to replace the old derrick, with its wooden masts and light capacity booms,—upon which the comment was very shortly thereafter made, "Well, by G——, he's had use for that derrick every minute of the time since."

Many years ago a gentleman who had written ably and argued plausibly on the difficulties which as of that day confronted the railroads, was rewarded for his efforts by being elected President of one of our railroads. I will not go into the details of what occurred, but the verdict given after his demonstrated failure and removal from office, was that, "He had attempted to run the railroad with girl stenographers and college graduates." It was simply a case of inexperience vs. practical experience, and of the square peg in the round hole.

It is estimated that there are employed in all grades, lines of service, and in various capacities upon the railroads, approximately 2,000,000 persons, or about 2 per cent. of the total population of the country, and of this number, prior to the government's taking over the railroads as an alleged war necessity, probably not to exceed 400,000 were organized and members of the then existing brotherhoods and other railroad organizations.

Immediately—with the advent of the Railroad Administration—the greatest campaign of organization ever known became

effective. Ten new organizations have been formed and others are in process. The passage of the Adamson Law in 1916, with its hitherto unknown feature of back pay allowances, involving vast sums of money, was a sufficient example and allurements.

The Director General even capitalized the novelty when as Secretary of the Treasury he appealed to the men to invest the money in Liberty Loan Bonds, the campaign for which was going on.

The great Pennsylvania Railroad, which had always paid its employees the highest going rates, and whose shop men had never found it either necessary or desirable to organize, was unionized from end to end; and from the great Altoona shops, always non-union, came a telegram to the Director General conveying its felicitation and announcing that McAdoo Lodge No. 1, Brotherhood of Boilermakers, had received its charter. What is true of the Pennsylvania Railroad, is equally true of all the others.

Like the 100-ton derrick, the Labor and Wage Adjustment Board had had its full 100 per cent. of service ever since its creation, and the orders, interpretations, supplements, and interpretations of supplements, etc., have been issued in such volume that it is currently reported that the men themselves do not understand, and in many cases cannot calculate the wages they are supposed to receive thereunder.

The rank and file of employees have never asked, and do not want a place on the Board of Directors. It involves the responsibility which comes only with ownership; and as to the success or failure of the enterprise, a labor leader here in New York recently stated that the financial difficulty which confronted the company was of no concern to the men, and that a receiver's wages were just as good and acceptable, as the company's. What the men want is a voice in the matter of their wages and conditions of employment, and this they already enjoy.

And the word which has been passed around is that the men would prefer the simple and direct form of negotiation with their own officers, who understand local conditions, and have a sympathetic interest in their welfare and in adjusting their working conditions, so as to make possible the greatest degree of comfort and happiness in their home lives. This arrangement does not at all preclude the possibilities of usefulness of their existing organizations.

In the hands of sober-minded, serious-thinking men serving as officers of their local organization, there is quick and immediate action possible in reaching a mutual understanding in those cases where such a course is necessary and desirable; and in my experience I have found that the men themselves know as well, or better than the officers, who is the person or persons responsible for trouble or an accident, and whether the discipline which is applied is merited and well deserved, or whether there has been a miscarriage of justice, and a man not guilty has been punished.

And I will say further, that I have never known of a case where sure and swift discipline was properly applied, with the element of mercy interjected, as should always be the case by reason of the third party,—the man's family, if he has one—being made a co-sufferer,—that it has not had the endorsement of the men themselves; and the most that the grievance committee will undertake is to ask for as much leniency as in the opinion of the officers the seriousness of the offense may permit.

Now, a few remarks on the subject of pending labor legislation:

In my opinion, the provisions of the original Esch Bill concerning labor adjustments are impractical and impossible, and I confidently predict their failure and ultimate discard. Any system which requires the President to appoint members upon a board or commission at once opens the door for "deserving politicians," and is fatal to real accomplishment.

The problems involved are great, but they could be met successfully if there were a disposition to apply to them the knowledge gained in the school of experience. But instead of profiting thereby, most of our politicians are either trimming, or are openly following dreamers, who having no proper conception of the magnitude of their task or the perils invited, propose, in effect, nothing better than government ownership, with its inevitable results of debt, extravagance, spoils, favoritism and inefficiency.

All over the world the difficulties with respect to the labor problem are practically alike. In England there is controversy between the Government and the labor leaders over the Temporary Wage Regulation Act, which, in its provision for—

The establishment by the Government of an Industrial Arbitration Board, whose decisions shall be final and binding against any subsequent actions, such as strikes and lockouts; also, that the unions shall agree to

refer all disputes to this tribunal, with penalties for failure ranging from sequestration of funds and liability of officers and members to prosecution, to validating the provisions of the Trades Disputes Act in certain eventualities,

and which, in its ramifications, endeavors in its fashion to meet the like situations as they have arisen in our own country.

A recent dispatch from Washington is to the effect that Senator Cummins says he contemplates an extension of the anti-strike provision in his bill to the basic industries of the United States, including the production of fuel, iron and steel, foodstuffs, lumber and building materials, and clothing.

An ancient law giver who had handed down to the people a new system of law, was asked why he provided no punishment for one who should slay his parent, made reply that he had not provided a penalty for such an act, as he did not contemplate that anyone would do such a thing.

And this suggests to me a thought that as continuity of service is what the people of this country desire, and intend to have, and by the various enactments which have bound capital when engaged in the business of transportation in such a way that it may not escape or stop or cease in its performance, we might, with plausibility, assume with the ancient law giver, that when labor enters into the business of furnishing its necessary part in the performance of transportation, and with a full knowledge of the situation at the time it so enters, there shall be no necessity to provide an anti-strike law, for no one contemplates that labor having entered such service, a penalty for such a crime will be necessary, and that the sacred principle of *continuity of service* is assumed alike by capital and labor when they come together in the quasi-public service of furnishing transportation.

Manifestly, no man may be compelled to labor against his will, for unless he be a convict in a penal institution, it would be enslavement. In a recent proposition of somewhat similar nature wherein a few members of a society refused to act in concord with the society as a whole, someone made the suggestion that, "There were birds which could sing, but who wouldn't sing, and the thing to do was to make them sing," and the way to accomplish this was by setting the other members of the society upon them, and through the medium of persuasion and the effect of public sentiment, inducing the recalcitrants to change their views or else get out!

Someone has suggested profit sharing as the panacea, but I

am entirely opposed to that plan, or any other paternalistic method; and it is also clear that a large majority of labor leaders and their lawyers do not want it.

What labor desires, as is evidenced in every controversy, and in all of the wage adjustments at Washington, is the certainty of *fixed wages*!

If profit sharing is established, they feel that gradually the equity of sharing losses, as well as profits, will be forced upon them, and that in adjusting wage scales the sharing of profits will be a factor tending to lower the fixed wage; that by even sharing profits without sharing losses, they become, in a sense, co-partners, but if not, they would clearly be joint adventurers with capital, and thus constitutionally become subject to the same regulations as capital and its owners.

The enactment of the Adamson law was a grave mistake; it is class legislation pure and simple. All class legislation is pernicious, and has no place in a democracy, and wherever it exists it should be wiped out. We hear judges repeatedly charge juries that the parties to the suit or proceedings are equal in the eye of the law and each entitled to exactly the same measure of justice. This is but repeating in different words a declaration of our bill of rights. Apparently exceptions have been engrafted on this doctrine in the shape of class legislation, enacted by way of exemptions or prohibitions tacked to enactments. They should be wiped out from top to bottom, including all exemptions from taxation, and freedom from services.

It is declared that there shall be no taxation without representation. Very well; but there must also be a rule that there shall be no representation without taxation, and no representation without service. This, of course, will tax charitable, religious, educational and kindred activities. This is intended, and it will serve a helpful purpose in promoting thought activity and greater service. Exemptions are nothing more than a subsidy, and, like all subsidies, insidious, leading to laxity and inertia and other disorders that need not be enumerated.

Several years ago I clipped the following paragraphs which appeared in one of our leading papers:

The country really possesses a fair skeleton machinery for all the ordinary activities of life, and not a bad one for war work, if friction and obstruction did not develop from individual dilatoriness, conceit, and perversity.

The solution of the existing difficulties is to be found, we believe, in using the existing facilities fully and intelligently, and in the natural way,

rather than in distorting them to novel uses, for which they are not adapted, or in creating improvised instruments and methods, necessarily crude and hasty, to perform functions that have been carried on for years satisfactorily in the old way.

We take it there are men of ability and experience in the United States, who are capable of meeting almost any emergency with the means at command, or by a proper evolution thereof, if their brains and energy be not paralyzed by the dictation of formalists and visionaries. Why not give the real men a chance? Why must everything be done in some new or experimental way, after a crisis has been forced by obstruction of the recognized and hitherto effectual devices?

with which I concur, and now reach my conclusion in the following summary:

(1) The relations between the railroads and their employees are per se generally satisfactory, or can be made so.

(2) That a large majority of the rank and file desire to have the railroads returned to their owners and former relations restored.

(3) The charge that railroad men are profiteering is no more deserved than a similar charge against practically every other class of labor might be deserved.

(4) That to do their part toward reducing the high cost of living, the employees in railroad service should actively cooperate in those efforts and measures which will increase the *volume* of transportation produced without further increasing the *cost* of production.

(5) That the taking over of the railroads by the Government as an alleged war measure was a blunder, which its now acknowledged failure demonstrates and proves.

(6) That the brotherhoods under conservative leadership can be made the medium for constructive effort to the mutual advantage of the company and its employees.

(7) That the labor provisions of the Esch Bill are impractical and impossible of accomplishment.

(8) That all class laws should be repealed.

(9) That the government should keep hands off and confine itself to its proper function of governing.

(10) And lastly, that we subscribe to and endorse the oft repeated declaration as printed in the New York "Sun," that in the conduct of business matters:

"The touch of the hand of government is the touch of death."